UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/1998/36
15 September 1998

ORIGINAL: ENGLISH

Third regular session 1998
14-16 and 21-22 September 1998, New York
Agenda item 5
UNOPS

UNITED NATIONS OFFICE FOR PROJECT SERVICES

Revised budget estimates for the biennium 1997-1998

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) has considered the report of the Executive Director of the United Nations Office for Project Services (UNOPS) on the revised budget estimates for the biennium 1998-1999 (DP/1998/35). In addition, as a background document, the Advisory Committee had before it the interim financial statements for the biennium ended 31 December 1997. During its consideration of the report, the Advisory Committee met with the Executive Director and his colleagues, who provided additional information.

2. The Advisory Committee notes from paragraph 6 of the report that the revised budget estimates for the biennium 1998-1999 are based on the expectation that UNOPS will continue to operate in accordance with the self-financing principle for recurring expenditures and that extraordinary, non-recurring expenditure will be funded by the UNOPS operational reserve if income generated during the biennium 1998-1999 is insufficient. The Advisory Committee trusts that every effort will be made to match income with expenditure so as to avoid shortfalls in income and recourse to the operational reserve.

3. In his initial estimates for the biennium 1998-1999, the Executive Director had projected income at $84.7 million. As indicated in paragraph 9 of the report under consideration, the revised income projections are $90.8 million, reflecting an increase of $6.1 million. The breakdown of initial and revised projected income for the 1998-1999 biennium is given in table 1 of the report with related information in paragraphs 10 to 14.

4. The Advisory Committee notes from paragraph 14 of the report that for the biennium 1998-1999 contributions "will again cover related expenditures and therefore both contributions and expenditures have been excluded from the figures in table 1". The Advisory Committee does not agree with this and requests that all income and expenditure be included in future reports.

5. The report of the Executive Director proposes that the revised estimated expenditure for the biennium 1998-1999 be increased from $80.4 million to $89.6 million for recurring activities, and from $4.3 million to $11.4 million for extraordinary, non-recurring activities, for a total increase to $101 million.

Recurrent expenditure

6. The increase in recurrent expenditure relates mainly to the proposed increase in the number of posts and the related expenditure associated with these additional posts.

7. The staffing needs of UNOPS for the biennium 1998-1999 are projected to increase from the 281 posts established at the end of the 1996-1997 biennium to a total of 345. The main reasons, as indicated in paragraphs 20 to 27 of the report of the Executive Director, are the significant growth in business volume and the related need to build the capacity to deliver on projects and services. As reflected in table 3 of the report, 19 of the proposed additional posts are project-related while 45 are proposed as established posts. Of these 45 posts, as indicated in the footnote to table 3, one post relates to the Chief Information Officer established in decision 98/16 of the Executive Board while, as indicated in paragraph 26 of the report, pursuant to Executive Board decision 94/32, the Executive Director is requesting approval for the establishment of the post of Chief of the Abidjan office at the D-1 level.

8. With regard to the vacancy situation, on enquiry, the Advisory Committee was informed that the vacant posts shown in table 3 of the report included the additional posts now being requested in the revised estimates. The Advisory Committee was also informed that budgeting of all UNOPS posts has been made on a "when expected on board" basis. The Advisory Committee recommends that the Executive Board accept the proposal of the Executive Director for an increase in the number and level of posts as indicated in his report. The Advisory Committee requests that future budget reports should show more clearly how estimates for staffing resources were arrived at.

9. The Advisory Committee notes from paragraph 28 of the report that the Executive Director is seeking the approval of the Executive Board to establish a UNOPS office in Rome, with staffing through relocation of two posts from headquarters. While the Advisory Committee recommends that the Executive Board accept the proposal of the Executive Director, the Committee reiterates its comments in paragraph 15 of its report contained in document DP/1997/28 that the possibility of sharing common premises and services with other agencies in the field should be explored with a view to realizing economies in UNOPS field operations. The Advisory Committee trusts that in line with the policy that all decentralized offices adhere to the self-financing principle, necessary

financial and management control will also be exercised in this case to ensure that the office will earn sufficient income to cover its costs.

10. As indicated in paragraph 29 of the report, reimbursements to UNDP for services provided by UNDP country offices, which were initially estimated at $4 million, have been projected to be $4.4 million for the biennium 1998-1999. The Advisory Committee notes that the principles established during a review to establish the basis and methods for the charging and reimbursing of common services provided by the United Nations and UNDP to UNOPS will be applied to central services and associated costs for the biennium 1998-1999. As stated in paragraph 31 of the report "this process is ongoing and its conclusion will provide an improved basis for understanding the common services provided to UNOPS and their related costs" and "in turn this will provide a better basis for reviewing the efficiency and cost effectiveness of the services". The Advisory Committee recommends that any agreement reached at the conclusion of the review be submitted to the Committee for scrutiny and that the submission take place before implementation.

Non-recurrent or "extraordinary" expenditures

11. With regard to information systems and technology, the Advisory Committee recalls that in its report contained in document A/1997/28 (para. 16), the Committee had recommended that UNOPS should take into account the systems modules developed by the United Nations/Integrated Management Information System (IMIS) and use these to the extent that they were cost-effective in the operations of UNOPS. As indicated in paragraph 32 of the report of the Executive Director, after considering the various options, UNOPS concluded that "while IMIS did not represent a long-term optimal business solution for UNOPS, it provided an acceptable fit within the available time and current resource constraints". The Advisory Committee believes that there is an urgent need for better overall coordination between all the agencies and funds and programmes on the question of present and future technology requirements, especially with a view to providing viable bridges and interfacing with the various field offices.

12. The Advisory Committee recalls that in table 2 of document DP/1997/29 an amount of $1.5 million had been estimated for the 1996-1997 biennium in respect of systems implementation. The Advisory Committee was, however, informed that since a final decision regarding information systems was not made until the end of 1997, most of that amount was not spent and has been carried forward (see paragraph 17 below).

13. Table 2 of document DP/1997/29 shows an amount of $4,312,000 estimated for the biennium 1998-1999 for systems implementation, not including the amounts under recurrent expenditure for items such as systems development contracts ($600,000) and microcomputer hardware/software ($2,000,000).

14. The Advisory Committee notes from paragraph 34 of document DP/1998/35 containing the Executive Director's revised estimates, that for the biennium 1998-1999 expenditure for the information systems project and year 2000 compliance project has been projected at $7,413,000. In addition, recurrent expenditure of $915,000 for systems development contracts and $2,087,000 for microcomputers hardware/software has been projected.

15. The Advisory Committee was informed that the amount of $4.3 million as previously shown in document DP/1997/29 was based on a preliminary estimate and was derived simply by applying all projected surplus income for the biennium to the IMIS/year 2000 compliance projects; in other words, while it was foreseen that these projects would entail considerable expenditure, the precise level of expenditure was not foreseen. It was anticipated that if the amount proved insufficient to meet the actual needs, the difference would be funded on a short-term basis from the operational reserve. On the other hand, the amount of $7.4 million shown in the revised estimates contained in document DP/1998/35, is based on "bottom-up" projections of actual project costs related to implementing the IMIS and year 2000 compliance strategy.

16. On enquiry, the Advisory Committee was informed that it was quite likely that even after completion of the current IMIS project and the year 2000 compliance project, technology-related expenditure would not significantly decrease because of the need to continue to develop software for UNOPS requirements.

17. The Advisory Committee notes that table 1 of document DP/1998/35 reflects $1.4 million as unexpended resources carried forward (see paragraph 12 above). The Advisory Committee was informed that this amount of unexpended income from the biennium 1996-1997 will be the first applied towards the IMIS/Year 2000 compliance project costs.

18. With regard to another item of non-recurrent and unforeseen expenditure, as indicated in paragraph 35 of the report of the Executive Director, relocation of headquarters premises was neither anticipated in 1997 nor planned for in document DP/1997/29, as non-renewal of its existing lease beyond September 1999 was not expected by UNOPS. It has been estimated that the total cost of relocation would be in the amount of $3,966,000 during the 1998-1999 biennium.

19. While detailed lease negotiations for suitable premises were still under way, the Advisory Committee was informed that this estimate included expenditure for items tailored specifically to UNOPS needs and specifications; items such as general construction ($2.3 million); mechanical/electrical systems ($2.2 million); and other items such as furnishings ($1.7 million); architectural/design/agent costs and fees ($961,000); and included actual moving costs ($166,000) less estimated landlord contribution ($3.3 million). The Advisory Committee trusts that every effort will be made to negotiate favourable rental terms with a view to obtaining optimum benefits for UNOPS. The Advisory Committee notes from paragraph 35 of the report, that the Executive Director has decided to explore the option of amortization of a proportion of the costs over the term of the lease "which may result in a cost reduction in 1999 and in the requirement to budget for a continuing write-off in subsequent years".

20. The Advisory Committee recalls that UNOPS Financial Regulation 8.3 specifies four elements to be covered by the operational reserve as follows: (a) shortfalls in income; (b) uneven cash flows; (c) professional or contractual liabilities associated with UNOPS services; and (d) liabilities associated with UNOPS personnel contracts financed from the UNOPS Account. As indicated in paragraph 2 above, the Advisory Committee is concerned about the rapid depletion of the operational reserve and the consequent vulnerability of UNOPS, especially

vis-à-vis the latter two elements which are to be covered by the operational reserve, in accordance with UNOPS Financial Regulation 8.3.

21. As indicated in paragraph 36 of the report, as of January 1998 the amount in the UNOPS operational reserve totals $20 million; as indicated in paragraph 37, relocation costs and the costs for the IMIS and year 2000 compliance projects would result in bringing the operational reserve down to $11.2 million at the beginning of the biennium 2000-2001 instead of the approximately $25 million it would have reached under normal circumstances (i.e., 4 per cent of the combined expenditure on administrative and project budgets of the prior year, pursuant to Executive Board decision 97/21). In this regard, the Advisory Committee notes the intention of the Executive Director, as indicated in paragraph 38 of his report, of bringing the reserve quickly back to its recommended level. The Advisory Committee requests the Executive Director, in his next budget presentation, to include proposals and specific steps that could be taken, including the time frame, to bring the operational reserve to its recommended level. The Executive Director should also report on his review of the 4 per cent formula for the maintenance of the operational reserve.

UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/1998/37
DP/FPA/1998/14
14 September 1998

ORIGINAL: ENGLISH

Third regular session 1998
14-16 and 21-22 September 1998, New York
Agenda items 3 and 9
UNDP/UNFPA

REVISION OF FINANCIAL REGULATIONS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME AND OF THE UNITED NATIONS POPULATION FUND

REVIEW OF MULTI-BILATERAL TRUST-FUND ARRANGEMENTS OF THE UNITED NATIONS POPULATION FUND

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Administrator of the United Nations Development Programme on revisions of UNDP financial regulations (DP/1998/32) and the reports of the Executive Director of the United Nations Population Fund on revision of UNFPA financial regulations (DP/FPA/1998/10) and on a review of multi-bilateral trust-fund arrangements (DP/FPA/1998/11). During its consideration of the reports, the Committee met with representatives of the Administrator and of the Executive Director who provided additional information.

UNDP Financial Regulations

2. In his report, the Administrator seeks approval for interim changes to the financial regulations on the biennial support budget, cost-sharing and procurement. The Advisory Committee notes from paragraph 2 of document DP/1998/32 that the Administrator intends to carry out an in-depth revision of other financial regulations to reflect the new structure of the authority and accountability over financial management arising from the UNDP 2001 change process, the growth of other resources (other than regular resources and resources received by funds entrusted to the Administrator), the implementation of successor programming arrangements, the results of the financial risk assessment being undertaken by UNDP, and the impact of the reform proposals of the Secretary-General being implemented by UNDP. The Advisory Committee understands that this comprehensive revision to the Financial Regulations will

be presented in 1999. The Committee requests that the presentation of revised financial regulations in 1999 make quite clear what is being proposed for rearrangement of presentation and what is being proposed for substantive change.

3. With respect to the proposed changes in the Financial Regulations contained in document DP/1998/32, these may be grouped in two broad categories. The first grouping covers changes to update the definition of categories of resources and related accounts and other adjustments, including those resulting from the adoption of the harmonized presentation of the biennial support budgets for UNDP and other United Nations funds and programmes. The second grouping covers procurement as a major area of operation of UNDP. As indicated in paragraph 10 of document DP/1998/32, under the common services initiative included in the reform proposals of the Secretary-General, the proposed regulations on procurement are the result of a collaborative effort by a working group of the United Nations Secretariat and United Nations funds and programmes. The Advisory Committee was informed that the text of the proposed UNDP regulations on procurement could eventually serve as the basic text for the regulations on procurement for all the other organizations (i.e., the United Nations Office for Project Services, the United Nations Children's Fund, UNFPA and the United Nations Secretariat).

4. With respect to the first grouping of the revised regulations, the Advisory Committee does not have any objection to the proposed revisions, as indicated in sections A and B of annex II of document DP/1998/32. The Committee notes that the subject of delegation of authority by the Administrator to other UNDP officials for procurement functions and management of property, as indicated in the proposed text of regulation 14.5 (c), is already covered under the terms of Regulation 3.1 and more specifically under Rule 103.1. In addition, the Committee was informed that under the current Regulation 14.1 (c), as revised in 1996, the Administrator should designate the personnel who may incur obligations on behalf of UNDP. Under Regulation 14.1 (c), "personnel" means, as defined in Regulation 2.2 P (ii), "staff of the organization and other persons employed by the organization, under other contractual arrangements, to perform services for a programme or project activity or for programme support".

5. In this connection, the Advisory Committee was informed that, during the consultations with the United Nations Office of Legal Affairs (OLA), OLA identified concerns expressed by the General Assembly about non-United Nations staff performing procurement-related functions, most recently in General Assembly resolution 52/226 of 27 April 1998. The Committee was informed that, as a field-oriented organization that carries out thousands of projects worldwide through a network of more than 130 country offices, UNDP finds it efficient and appropriate to delegate, from time to time, limited procurement authorities to personnel who are contracted by UNDP but who are not staff. Such delegations, the Committee was informed, are exceptional measures and are made for low-value procurement activities. UNDP uses the services of individuals as project personnel who do not serve under letters of appointment and are not subject to the Staff Regulations and Rules. In this connection, the Committee recommends that, in conjunction with the submission of comprehensive revised Financial Regulations in 1999 (see para. 2 above), the Administrator prepare a policy paper on procurement by non-staff members, indicating the practice followed by UNDP and other United Nations funds and programmes.

UNFPA Financial Regulations

6. As in the case of UNDP, revisions to the existing UNFPA Financial Regulations concern the updating of the terminology used in the harmonized presentation of the biennial support budget, as well as the revisions to the regulations concerning procurement, which arose out of the work of the procurement working group of the common services initiative included in the reform proposals of the Secretary-General.

7. The Advisory Committee does not have any objection to the proposed revision of the Financial Regulations, as indicated in paragraphs 3 and 4 of document DP/FPA/1998/10. With respect to proposed revisions of procurement regulations, the comments of the Committee on UNDP proposed revisions, in paragraphs 3-4 above, are equally applicable to the UNFPA proposal. In the case of UNFPA, the Committee was informed that the Executive Director may delegate authority, as appropriate for procurement functions and management of property only to UNFPA officials and not to non-staff project personnel.

UNFPA multi-bilateral trust-fund arrangements

8. The Advisory Committee welcomes the report of the Executive Director on a review of multi-bilateral trust-fund arrangements (DP/FPA/1998/11), which was prepared in response to Executive Board decision 97/26. Organized in five parts, the report covers the main elements of UNFPA multi-bilateral funding and cost-recovering mechanisms and concludes with the Executive Director's recommendations for undertaking full cost recovery for (a) the managerial and support services (MSS) for handling multi-bilateral activities and (b) the administrative and operational support (AOS) for UNFPA execution of multi-bilateral projects.

9. As indicated in paragraphs 3 and 4 of document DP/FPA/1998/11, multi-bilateral contributions are received by UNFPA from donors and programme recipient countries, financial institutions, non-governmental organizations, and foundations under trust fund arrangements. The multi-bilateral resources are used for specific population activities that cannot be funded from regular resources. As shown in table 1 of document DP/FPA/1998/11, UNFPA multi-bilateral resources are relatively small as compared to regular resources. For 1998, multi-bilateral resources income is projected at around $25 million, or 8 per cent of total resources (DP/FPA/1998/11, para. 8).

10. The Advisory Committee notes from paragraphs 15 (a) and 21-23 of document DP/FPA/1998/11 that UNFPA provides a full range of managerial and support services to develop, oversee and monitor projects financed from multi-bilateral resources. These services are provided by UNFPA to all multi-bilateral funded projects, regardless of whether UNFPA acts as the executing agency for the projects or other agencies are selected to execute the projects. Upon request, the Committee was provided with a detailed schedule of all services provided by field offices and headquarters units to projects funded from multi-bilateral resources (see annex to the present report). Currently, UNFPA is not reimbursed for these managerial and support services. The Committee further notes that managerial and support services costs are incurred by UNFPA, whether the projects are executed by UNFPA or by other executing agencies. The Committee

agrees that the performance of these services represents a subsidy from regular resources (biennial support budget) to activities funded from multi-bilateral resources. The Committee, therefore, agrees with the proposal of the Executive Director to establish a recovery rate of 5 per cent for MSS costs to be levied on all multi-bilateral trust-fund projects. Income earned through MSS cost-recovery should be credited to the biennial support budget in accordance with the proposed provisions of Regulation 8.7. The Committee believes, however, that the proposed apportionment between the concerned country offices and headquarters units, at any given rate, may be overrestrictive and recommends that the Executive Director should continue to exercise her discretion in this regard. The Committee further notes that the proposed rate of 5 per cent falls within the range of rates charged for such services by other United Nations organizations and is based upon an evaluation of workloads. In the interest of providing greater transparency, however, the Committee recommends that UNFPA continue to refine its methodology for quantifying the level of charges.

11. According to the established procedures, when UNFPA acts as the executing agency for a project funded from multi-bilateral resources, UNFPA is reimbursed for AOS costs at the rate of 5 per cent of the project expenditure, and when a United Nations executing agency is selected to execute a multi-bilateral funded project, the agency is reimbursed for AOS costs at the rate of 7.5 per cent of the project expenditure (DP/FPA/1998/11, paras. 24-26). In paragraphs 26-27, the Executive Director proposes to increase the rate of AOS cost reimbursement for UNFPA, as an executing agency of multi-bilateral funded projects, from 5 per cent to 7.5 per cent of the project expenditure. That is, at the same reimbursement rate charged to multi-bilateral projects executed by other United Nations executing agencies for AOS costs.

12. The Advisory Committee notes from paragraph 26 that, when United Nations executing agencies execute projects funded from regular resources, agencies are also reimbursed for AOS costs at the rate of 7.5 per cent of the project expenditure. The Committee recalls that in 1992 UNFPA introduced the AOS cost reimbursement to United Nations executing agencies under the new arrangements to meet the costs involved in providing technical and administrative support to projects (see, for example, document A/49/5/Add.7, para. 36). The Committee has no objection to the proposed increase in the rate of reimbursement for AOS costs from 5 per cent to 7.5 per cent when UNFPA executes projects funded from multi-bilateral resources; however, it recommends that this matter be kept under review and resubmitted to the Committee when updated cost-measurement information on AOS costs becomes available.

Annex

ADDITIONAL INFORMATION ON THE METHODOLOGY FOR DETERMINING MANAGERIAL AND SUPPORT SERVICES COST IN THE UNITED NATIONS POPULATION FUND

As outlined in section IV, item 17 of the report contained in document DP/FPA/1998/11, Managerial and Support Services comprise four processes. The following matrix lists each process (A, B, C and D), the specific work task and the estimated workload level (Heavy, Medium, Light).

	Field office			Headquarters unit		
	Heavy	Medium	Light[a]	Heavy	Medium	Light
A. Multi-bilateral project identification formulation and approval	X				X RDB/GD[b]	
1. Exploratory phase - Meeting with donors and recipient Governments to identify project possibilities and resource mobilization strategy - e.g., convene donors meeting.	X				X RDB/GD	
2. Discuss and negotiate specific proposals and funding requirements.	X				X RDB/GD	
3. Provide/secure necessary substantive expertise to formulate project documentation and budgets.	X					X GD
4. Review technical assessment and approve project.	X					X GD
B. Formulation of multi-bilateral co-financing arrangements	X			X RDB		X GD/FB
1. Identify specific co-financing arrangements and negotiate provisions of using standard co-financing agreements (agreements must be in keeping with UNFPA programme priorities and financial rules and regulations).	X			X RDB		X GD/FB
2. Secure donor approval of agreement and recipient Government approval, if necessary. Revise agreement, if required, in full consultation with concerned parties.	X				X RDB	

	Field office			Headquarters unit		
	Heavy	Medium	Light[a]	Heavy	Medium	Light
3. Set up necessary financial accounts, data files and recording; and request first payment in accordance with disbursement schedule.	X				X RDB/FB	
C. Operational support			X	X RDB		
1. Prepare and update the guidelines procedures for multi-bilateral financing and other related co-financing information.			X	X RDB		
2. Prepare and update multi-bilateral project pipeline portfolio.			X	X RDB	X GD	X GD/FB
3. Develop overall funding strategy and approach for multi-bilateral resources.				X RDB		
4. Organize bilateral donor consultation. Prepare multi-media presentations for multi-bilateral financing agenda items.				X RDB		X GD/FB
D. Substantive and financial monitoring		X		X		
1. Maintenance of co-financing trust fund and cost-sharing accounts.				X FB/RDB		
2. Negotiate disposition of trust fund interest balances and take corrective action on underfunded project accounts.				X RDB		
3. Monitor substantive provisions of multi-bilateral agreements.		X			X GD/RDB	
4. Prepare general summary reports on multi-bilateral reporting.				X RDB		

[a] The workload levels are estimated as follows: Heavy 60-100 per cent; Medium 30-60 per cent; Light, 30 per cent less.

[b] KEY: RDB: Resource Development Branch, GD: Geographical Divisions, FB: Finance Branch.

The points mentioned below describe the specific maintenance type of activities that are carried out to implement each of the above-mentioned multi-bilateral process:

1. Communications - phone/fax/e-mails, meetings

   - Answering
   - Returning
   - Initiating

2. Computer work and data-processing and management

   - Setting up data management system
   - Inputting and updating data
   - Backing up hard drive
   - Preparing computer information presentation

3. Correspondence

   - Reading
   - Responding
   - Initiating

4. File tasks

   - Filing
   - Weeding
   - Archiving

5. General maintenance

   - Accounting (payments, etc.)
   - Mail processing
   - Logistics and supplies